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Industrial Distribution

October 1985

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Hotline:
Complexity of hi-tech—
A threat to distribution?

Do you know what you're selling?

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Product showcase review
Power transmission equipment

ID Industrial Distribution

VOL. 74, NO. 10/74th yr. A TECHNICAL PUBLISHING PUBLICATION OCTOBER 1985

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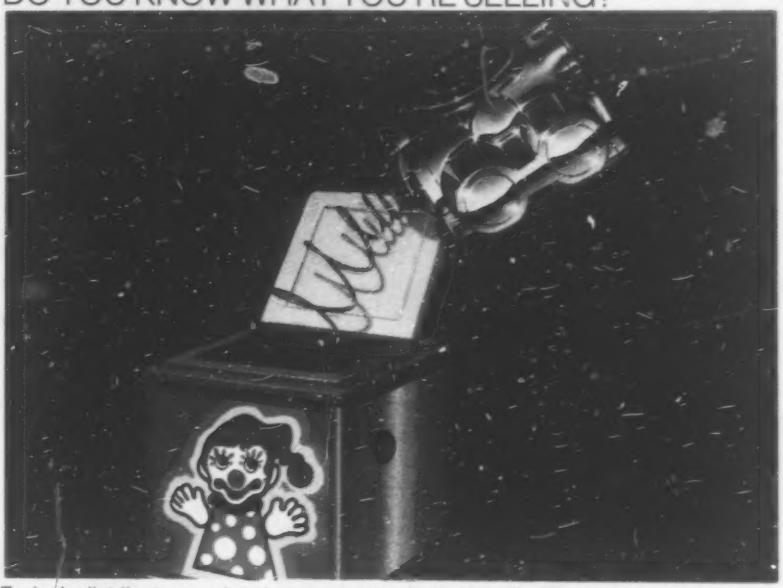
DO YOU KNOW WHAT YOU'RE SELLING?



Today's distributor needs to know not only what he is selling but to whom he is selling.
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INDUSTRY NEWS . . .

1985 spending on health and safety to increase 25.4%

NEW YORK—U.S. industry plans to spend $7.7 billion on safety and health in 1985, a 25.4% increase over 1984 levels, according to the *13th Annual McGraw-Hill Survey of Investment in Employee Safety and Health*.

While the increase is sizable, it just falls short of 1984 spending on safety and health that amounted to a 26.3% increase over 1983 or $6.2 billion. More significantly, the McGraw-Hill study found that the 400 companies taking part in the survey projected 1985/1986 spending growth at a miniscule 0.1%.

Although the *rate* of increase of *total* business spending on safety and health capital equipment in 1985 is not expected to exceed that of 1984 by more than 1%, the breakdown of spending by individual industries is seen as changing significantly.

Manufacturers, for example, who slashed safety and health expenditures by nearly 15% in 1984 report that they plan to increase such spending by 18% in 1985 to $3.5 billion. And despite the 88% increase in spending by nonmanufacturing industries last year, these companies say that their expenditures will grow by another 32.5% in 1985.

Safety and health expenditures for durable goods manufacturers, broken down by categories of products, are given below for 1984-1986. *All figures are in millions of dollars.*

Plans for investment in employee safety and health

(Millions of Dollars)

INDUSTRY	1984 ACTUAL	1985 PLANNED	1984–85 % CHANGE	1986 PLANNED	1985–86 % CHANGE
Iron & Steel	4.2	4.7	12.5	4.9	4.6
Nonferrous Metals	40.4	40.7	0.8	168.2	313.3
Electrical Machinery	218.9	230.3	5.2	180.8	−21.5
Non-Electrical Machinery	726.0	878.3	21.0	942.7	7.3
Autos, Trucks & Parts	27.4	46.9	71.3	36.1	−23.0
Aerospace	63.3	41.5	−34.4	40.5	−2.5
Fabricated Metals	51.8	46.7	−9.8	49.5	5.9
Instruments	90.9	131.1	44.1	142.0	8.4
Stone, Clay & Glass	80.8	106.7	32.0	104.7	−1.9
Other Durables	110.6	114.3	3.4	119.4	4.5
TOTAL DURABLES	1,414.3	1,641.3	16.1	1,788.9	9.0

Uniroyal realigns power transmission marketing personnel

MIDDLEBURY, CT—The Uniroyal Power Transmission and Engineered Rubber Products Div. has realigned managerial responsibilities in its power transmission marketing organization.

Dr. A.W. Stoner, divisional vice president and general manager, announced the appointment of Norman Bash as product manager, power transmission products; Peter Batchelar as sales manager, private brands and automotive products; Jack Leitner, national accounts sales manager and Paul Lynch, national sales manager. All four men will be located at the divisional headquarters here.

Commenting on the recent personnel changes, Stoner said, "The realignment of our power transmission marketing and sales organization is only part of our overall plan to improve our competitive edge.

"We've also increased funding of research and development and have added manufacturing capacity. The combination of these steps will reinforce Uniroyal's position as a worldwide leader in synchronous belt power transmission systems."□

Mather Co. purchase by Federal-Mogul approved by FTC

SOUTHFIELD, MI—Federal-Mogul has announced the completion of its acquisition of The Mather Co. following approval by the Federal Trade Commission.

According to Federal-Mogul chairman and CEO, Thomas F. Russell, the purchase of the Ohio-based manufacturer of sealing products and vehicle stabilizers and torsion bars was completed on July 29. The purchase price was not disclosed.

Mather, which has facilities in East Jordan and Milan, MI and Toledo, OH, recorded 1984 sales of about $30 million and employs more than 300.□

G. Thomas McKane named president of Ridge Tool

ELYRIA, OH—G. Thomas McKane, Jr. has been appointed president of The Ridge Tool subsidiary of Emerson

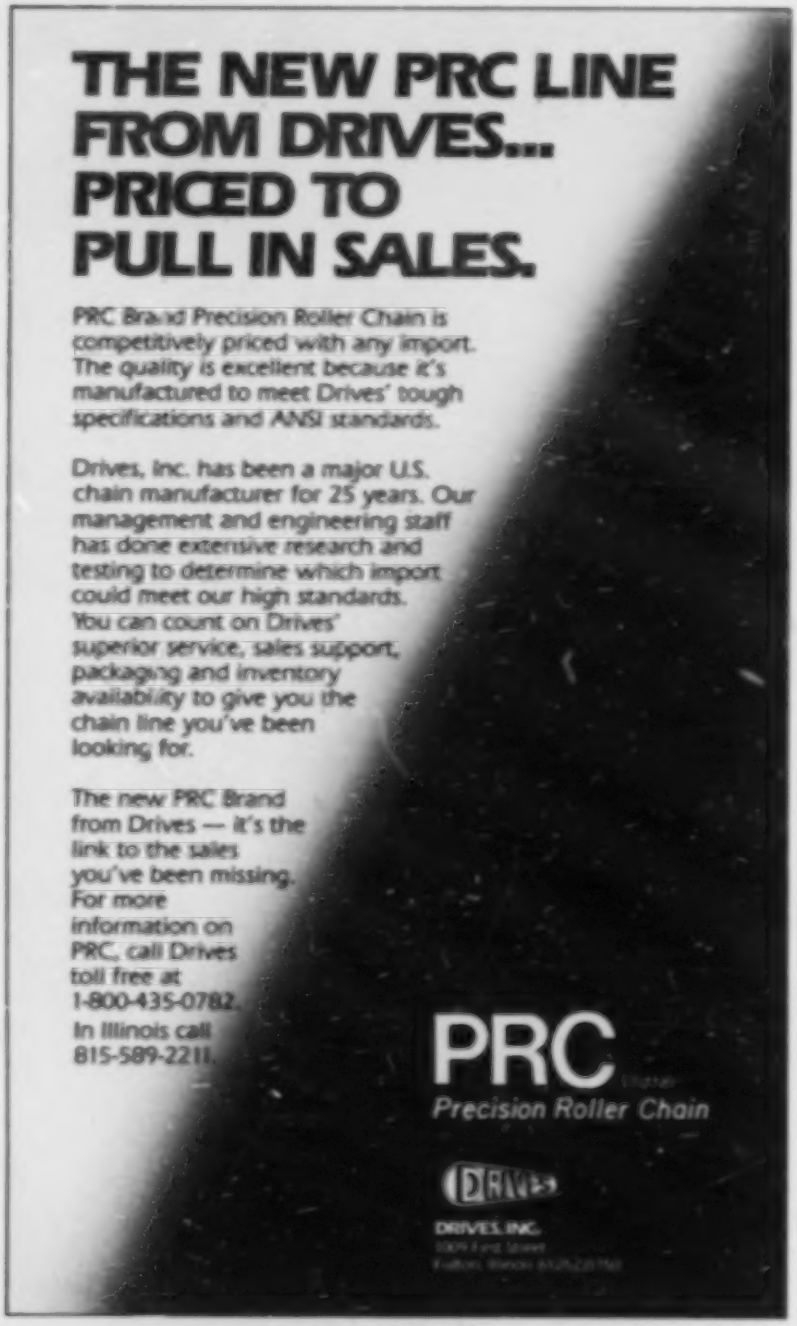
McKane

INDUSTRY NEWS . . .

Bearing Distributors Inc. acquires Bearing Service Co.

CLEVELAND,OH—Bearing Distributors Inc., headquartered here has recently expanded distribution into IA, WI, IL, and WI, through the acquisition of Bearing Service Co., Waterloo, IA.

The acquisition brings Bearing Distributors' total number of locations to 56. Bearing Service Co. will continue to operate under its own name together with its Bearing Transmission Supply and General Bearings divisions, as a wholly-owned subsidiary. Robert P. Bradford will remain as Bearing Service Co's. president.□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Write in No. 22

Indicators...

Two of the three key indices for the current month retreated marginally while the third advanced slightly. The NIDA/SIDA *Industrial Distribution Index* for the month of July declined to 143.6 on a national basis from 144.1 in June, a drop of just 0.5 points. This leaves the index a lackluster 0.3 below July '84. Regionally results were split between small gains and small losses. The East and the West lost 3.5 and 2.0 points respectively while the Midwest and the South gained 0.4 and 0.8 points respectively.... The SIDA *Monthly Sales Trend Report* for June shows a 3.87 decline for the entire association area while year-to-date '85 versus year-to-date '84 shows a minimal increase of 2.61. The one bright spot in in SIDA's sales for June, was Area III which comprises AL, KY, MS, and TN which was up 2.72 over May. All other regions fell...ASMMA's *New Order Index* for June showed an encouraging 3.7 point increase to 125.5 for June over May for a 3% increase. The current figure has only been exceeded one time ---August 1984--- since 1980... The National Welding Supply Assn. *Welding Supply Index* fell slightly in June to 197.2 from 209.3 in May but is still well ahead of all figures in the previous four years. Weakness in June was seen in every product category: gas, equipment, expendables, and other supplies, which all slipped slightly from their May levels...The American Machine Tool Distributors' Assn. *Total Index of Orders* for June fell by 0.2 points from the previous month for an insignificant 0.3% loss. The current index figure is 13.5% lower than the June '84 level... The National Wholesale Hardware Assn. *Hardware Sales Index* fell on a national basis to 116.0 in June from 126.3 in May.

REGIONAL REPORT

Sales flat in July

For the third straight month, there has been no appreciable movement in national sales figures compared to the same month in the previous year. "Mixed figures" characterize statistics reported from both regions and areas.

In regions, West South Central was down 11% and South Atlantic 5%, while in areas reporting, only Connecticut was in the minus column, down 1%. However, with the exception of the Wisconsin area, up 12%, all of the gains for both regions and areas were slight. The best regional gain was East North Central's 6%.

Confirmation of the continuing erosion of sales can be seen in the month-to-month reporting figures. Negatives predominate with few gains showing up for July. The biggest regional drop was Middle Atlantic's 11%; the biggest loss in areas was Pennsylvania's 18%. The only area gain recorded was Georgia-Florida's 1%.

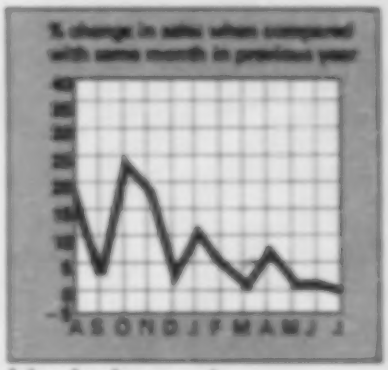
Cumulative reporting figures have also begun to slip. Having been up 7% for the first 6 months of this year compared to last, they are now up only 3% in July. This tally is based on only the areas and regions where both general liners and distributors have reported sales figures.

Receivables show little change, although the days outstanding have slowly crept up again to the low 40s and on average, have remained there. □

RECEIVABLES*

	July '85		vs. July '84	
	Gen.	Spec	Gen.	Spec.
New England	47	48	45	48
Middle Atlantic	48	45	44	46
South Atlantic	37	38	35	38
East North Central	38	43	38	44
East South Central	—	—	—	—
West North Central	—	39	—	40
West South Central	—	—	—	—
Mountain	—	—	—	—
Pacific	40	42	37	43
National	42	43	40	43

* Average days outstanding



July sales show no gain....

SALES BY REGIONS (% change)	Jul. '85 vs. Jun. '85			Jul. '85 vs. Jul. '84			1st seven months '85 vs. 1st seven months '84		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+3	-6	-2	+1	+3	+2	+1	+9	+4
Connecticut	-2	-14	-6	-3	+4	-1	—	—	—
Massachusetts	+6	—	—	+6	—	—	+4	—	—
MIDDLE ATLANTIC: NY, NJ, PA	-11	-12	-11	-1	+3	+1	+7	+5	+6
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	—	—	—	—	—	—	—	—	—
Pennsylvania	-17	-18	-18	+10	+4	+7	+7	+5	+6
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC, SC, VA, WV	+5	0	+3	-10	+1	-5	-1	+3	0
Georgia-Florida	-2	+3	+1	-2	+6	+3	+8	+3	+5
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	+1	-11	-6	+2	+9	+6	+1	+13	+8
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	+5	-6	-4	+19	+10	+12	-1	+12	+9
Chicago	—	—	—	—	—	—	—	—	—
Michigan	—	-26	—	—	+10	—	—	+17	—
Ohio	-4	-8	-6	+6	+7	+7	+5	+12	+9
EAST SOUTH CENTRAL: AL, MS, KY, TN	—	—	—	—	—	—	—	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	—	0	—	—	-5	—	—	0	—
WEST SOUTH CENTRAL: AK, LA, OK, TX	+1	+10	+6	+3	-18	-11	-12	-15	-14
Texas	—	+9	—	—	-16	—	—	-16	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	—	—	—	—	—	—	—	—	—
PACIFIC: CA, OR, WA	-14	+19	-4	-6	+15	+1	+10	-3	+6
L.A.-San Diego	-18	—	—	-9	—	—	+11	—	—
Oregon-Washington	—	+23	—	—	+22	—	—	-4	—
U.S. TOTALS	-4	-3	-3	-3	+2	0	+3	+3	+3

DON'T CUT THAT PRICE!

The economic theories that apply to constructive pricing are about as varied as the stars. The one that applies to price cutting, on the other hand, follows one simple rule: DO IT AT YOUR OWN RISK!

In a random *ID* survey of industrial distributors, 75% of the total sample stated they cut prices on their products at one time or another for a variety of reasons. About half of the 75%, or 37.5% revealed they cut prices "as a way of life." The remaining 37.5% cut prices periodically for what they called "defensive" reasons. The 25% that said they do not engage in price cutting under "normal" circumstances, held out the possibility of price cutting if certain competitive factors came into play. But whether a distributor cuts prices to stimulate sales in the short run, or to keep his customers happy in the long run, price cutting, most distributors agreed, is one of the least desirable ways to try to increase business.

"Cutting prices to attract new customers is the wrong way to go," says Thad Lukasik, Industrial Finishes and Systems, Inc., Eugene, OR, a specialist in cutting tools, abrasives and fluid power products. "If you get the business by price cutting, you lose some profit right away, then you eventually have to turn around and raise your price anyway. When you raise the price, you could very well lose the customers you just dropped your price to attract," he says.

Taking a similar position is Bob Armbruster, vice president, Acme Welding Equipment & Supply, New Orleans, a general line distributor. "We are basically an independent distributor and we're up against some nationwide corporations that have distributorships in this area. The price cutting that is being done here has destroyed the profit structure for everyone."

Armbruster obviously does not adhere to pricing theory that supposedly works to keep prices at their most productive level.

Carl Steelhammer, president, Mill Supply Corp., Salem, OR, a specialist in power transmission, and industrial rubber and plastic products, believes his prices are right at or near the true market value:

"If you price higher than we do, you're not going to get much business away from us, and if you price lower, you're not going to make much money."

Steelhammer believes that foreign competition is the reason he and many other distributors have to go through the latest round of price cutting in the industry. "Technically," says Steelhammer, "we don't have to cut prices too much because even with the competition, there's a limit on the downside."

According to James M. Abbitt, Sr., president, Epperson & Co., Tampa, FL, a general line distributor with specialties in shop equipment, safety supplies and bearings, his company "never sets a price but follows others. Whatever prices are set by other distributors, we have to meet them," explains Abbitt. In this way, his company's products could never be the more expensive buy, he says.

"We cut prices to stimulate sales," admits Calvin Herring, sales manager, Welding Supply & Service Co., Atlanta, a general line distributor with a specialty in cutting tools and abrasives.

"We try to price our products fairly competitively, but sometimes we have to get some slow lines moving. We use a price cutting formula to do this. We know exactly how far down we can go to make what we consider the least acceptable profit."

Going on defense

Cited most frequently as being the prime reason for cutting prices is a distributor's need to counter what someone else has started or, put another way, defending his business interests.

"If someone starts the ball rolling, we're not going to sit back and take it on the chin," says Henry F. Bonk, president, Industrial Safety Supply Co., Inc., West Hartford, CT, a general line distributor. "We're ready to cut prices at any time," he adds, "depending on what the other guy is doing and on what our list prices are."

Don Snow at Aviation Supply Corp., Tampa, FL, a general line distributor, admits he hates to cut prices, but if he has to, "I start sharpening my pencil. How far down do I go? That depends on my margins," he says. "But I know what I have to do if things get tough. Still," concludes Snow, "we're not going to go below a certain price. We're not in business to lose money, and neither is our competition."

Even Lukasik, who maintains that hedoes not believe in cutting prices, recognizes that sometimes a need exists to do it anyway. "If you're stuck with a product line because your supplier went bankrupt or for whatever other reason, you have to move it out of your inventory and one of the best ways is to get rid of it by selling it for less. I'd like to find one buyer for the whole load if I can," says Lukasik, referring to some 50 sanding belts he needed to get rid of recently. "We reduced our price to get rid of them, not," he interjects, "to undercut our competition." However, sometimes the competition doesn't recognize the reason behind such a move, so a mini-price war begins in the local marketplace. "We only do this on a temporary basis," insists Lukasik, "and we give our known customers a shot at buying from us at this reduced price. We don't make a habit of cutting prices but sometimes we as well as other distributors have no choice."

By Milt Ellenbogen
Managing editor

Says Levi Robinson of Central Pipe & Supply Co., Cambridge, MA, a pipe, valves and fittings, and fastener specialist: "In this area, most of the distributors stick pretty close to the pricing structure but we do cut our prices when we have to for defensive reasons. If our customers are going to go elsewhere because of a more attractive price, we have to offer them an alternative. It's as simple as that."

Many distributors are prepared to cut prices to meet competition as soon as a new line is taken into inventory. The list price often serves only as a guideline from which discounts are taken, explains Dean R. Brodie, president, Clark Witbeck, Rochester, NY, a general line distributor.

"If we know a competitor with an identical product as ours is quoting for a contract, we will also quote and in so doing, cut our price to be competitive. Typically, with many products, list prices bear no relationship to reality. These products immediately acquire a standard discount. For example, everybody gets one-third off for starters. There are also some competitors that are notorious for cutting prices, and if we're up against them in the bidding, and we really want the job, we're going to have to come in with a pretty low bid, lower than we would normally go. I would say that we cut our prices 5 to 15%, depending on the circumstances."

Following the suppliers lead

Rather than cut prices and lose profits, many distributors hope their suppliers will occasionally cut prices to allow their distributors to legitimately pass on the lower costs and stimulate sales. "All things being equal, distributors are pretty much governed by what their suppliers do," says Herbert W. Van Horn, Jr., president, Oliver W. Van Horn Co., New Orleans, a general line distributor. "When our suppliers do this, we do not hesitate to pass the cost savings to our customers," continues Van Horn, subtly suggesting that some distributors are not as obliging as they, and opt for reaping higher profits by keeping their prices up. "I have no qualms about cutting prices," he concludes, "but only for the right reasons."

The suppliers' point-of-view

Because of the sensitive nature of pricing in the supplier-distributor relationship, most suppliers interviewed expressed a preference to remain anonymous. The following excerpted points-of-view are from several suppliers, all depending on many distributors throughout the country to move their products.

- A manufacturer, such as ourselves, has no control whatsoever over distributor prices. This is forbidden by the *Robinson-Patman Act*. We can furnish suggested prices to our distributors for charging their end users, but that's about it.
- We have grounds for dropping a distributor if he does not stock our products in line with the sales demand of his territory, or for not actively pursuing the market in our line, but we certainly can't fault him, or drop him, for the prices he charges his customers. That's strictly between them.
- One of the problems we have with distributors who keep cutting prices on our products is that they do not stock our products in line with their sales. They figure that if they don't have a heavy investment in our line, they can work on smaller margins and sell the products quicker. Distributors that have heavy investments in our products sell the products at fairer prices and we can more realistically see what the true demand is in their area.
- One problem that causes too much price competition occurs when a previously good industrial area starts to decline. With less demand for our product, compared to what existed before, and with too many distributors in the area carrying our product line, there is bound to be unease competition and abnormal price cutting.
- As a manufacturer, we keep hands off our distributors with regard to price. Generally speaking, discounts on our product line, hand tools, are found all over the place. Sometimes special promotions instigated by us may fuel the fire, but that's business. Competition is the way of life not just here but all over the free world.
- We furnish our distributors with a list price, but that's only a vehicle for them to use in order to arrive at a net price. Net prices are based on quantity discounts from that original list price.
- We have consistent policy on our price list for quantity discounts. Every one of our distributors gets the same break in buying from us, but what they do after that is totally up to them.

Price sensitivity is being aggravated by suppliers for a variety of reasons, one of which is importing and offshore manufacturing, according to Steven L. Katz, sales manager, Action Bearing Co., Boston, MA.

"Price cutting is something in which we have a lot of input because we were one of the first distribution companies to really get involved in price sensitive situations, particularly in the northeast," he explains. "What we found is that in the last two to three years all of the major domestic manufacturers have internationalized their product line. They call it *rationalization*.

Although Katz is referring mainly to bearing manufacturers, other industries that have been devastated by significantly lower prices on foreign products have started similar programs.

"It used to be that SKF, for example, manufactured its entire product line in America," continues Katz. "They found that was much too expensive. A few years ago a customer would say he wanted SKF American only and it was possible because it made its whole product line here. However, in the last several years, and this is predominant throughout the industry, manufacturers are making certain parts of their product line here, certain parts in Italy, and Stockholm, and elsewhere overseas. They are getting much longer production runs and then shipping the parts all over the world."

Katz points out that if a customer now comes in and wants an SKF American, he will get an SKF that could have been produced anywhere in the world.

"This has allowed manufacturers, whether they be American, English or Austrian to compete with more success against the Japanese and Eastern Bloc countries, and have indirectly forced prices down on bearings in the U.S."

Katz concludes that the price a dis-

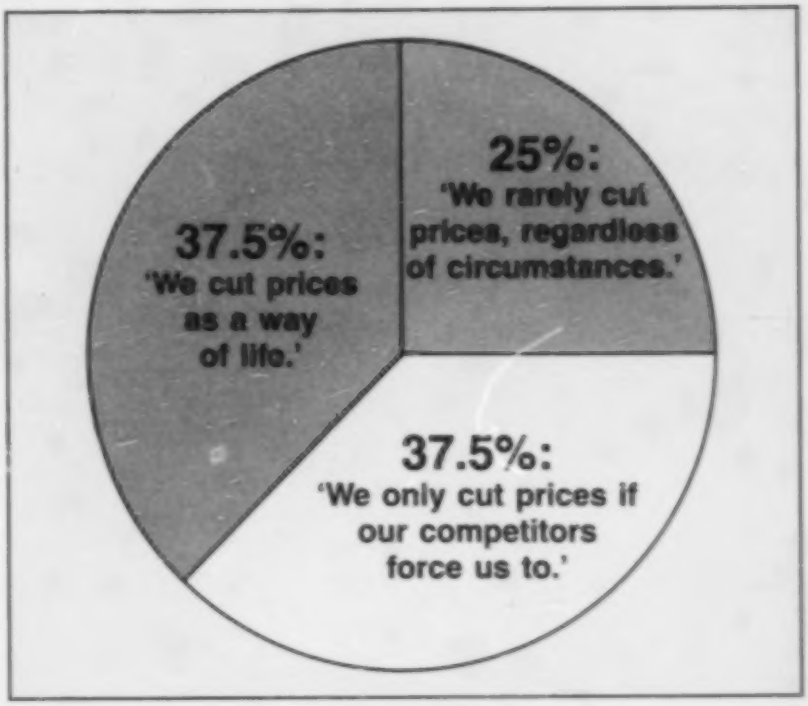
DON'T CUT THAT PRICE!

tributor charges for bearings is more dependent on who his suppliers are than for other types of products although a possible exception might be fasteners.

Says Katz, "When someone is buying in volume and he has done some shopping around, he can pay from 20% to 30% less than 10 years ago."

So while distributors can blame themselves, suppliers and competitors for forcing them into price cutting, few if any admit that there are inherent dangers. Says one midwest general line distributor, "Price cutting reveals a weakness. What we never seem to learn is that we provide a valuable service over and above just stocking product. Price has to reflect the added value we represent by having product in the right place at the right time. Too many of us undersell ourselves just as we undersell some of our products."

Sometimes, he adds, it's better to give the products away than to let our customers know that we're in a losing situation.□


25%:
'We rarely cut prices, regardless of circumstances.'
37.5%:
'We cut prices as a way of life.'
37.5%:
'We only cut prices if our competitors force us to.'

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Write in No. 49

Power Transmission Review

While most PT experts see softness in sales extending through '85, they expect 1986 to show some nominal growth

Power transmission products are among the oldest industrial products known to man. Gears, chains, sheaves and belts date back to medieval times and, in many cases, designs for some of the rudimentary PT products have not changed in centuries.

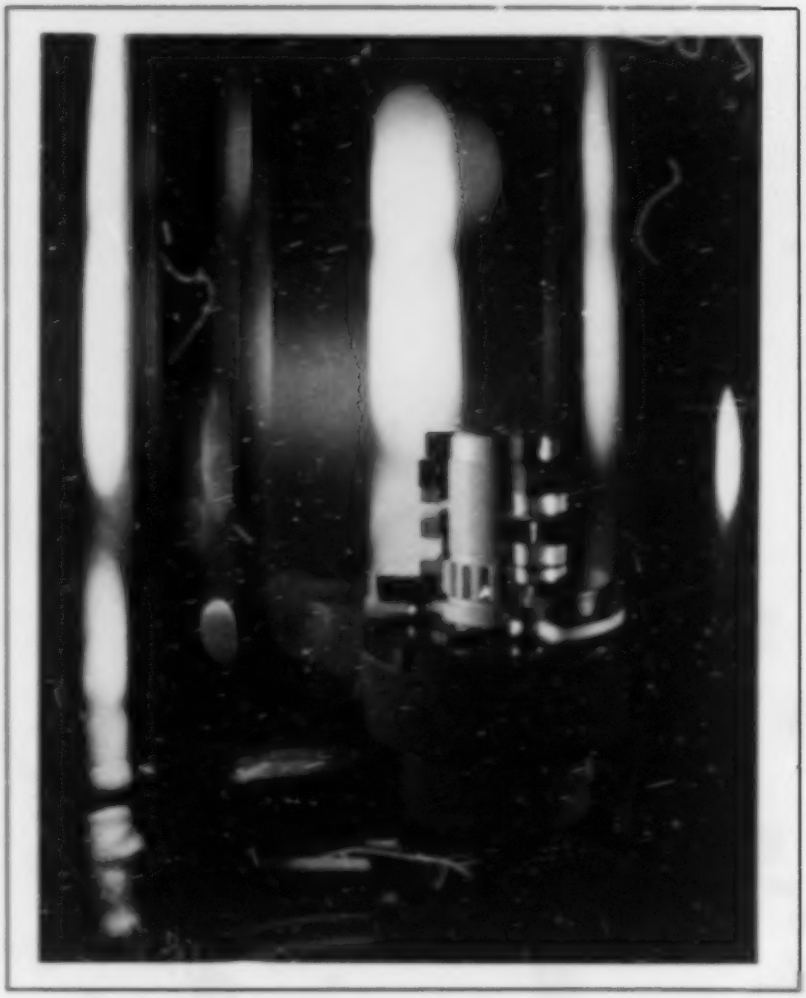
Today, the PT arsenal is being assaulted on two fronts. Not only are some traditional PT products being challenged by sophisticated solid state electronic, fluid power and electromechanical products, but the recent decline of such historic PT-intensive industries as steel, agriculture and certain capital goods have robbed manufacturers and distributors of their key markets.

Adding further to the woes of the domestic PT manufacturer are the inroads made by imports. While, to date, the off-shore penetration of the PT market has been spotty, no one knows what the future holds.

In interviews with manufacturers, distributors and trade associations throughout the country, *ID* heard the same comments regarding power transmission products: that business is sluggish and there is great uncertainty about the future.

Words like *flat* and *soft* were used repeatedly when the speakers were describing the state of the economy and the PT business.

Alan Haveson, president of the Power Transmission Distributors Assn. (PTDA) said that it was his expectation that no significant improvement in PT business could be expected before 1986.



"I expect to see the softness continue until at least the first of the year," said Haveson. "There's great unrest in pricing and there's a lot of material around, so I expect strong price competition to continue," he noted.

"I also wouldn't be surprised to see prices in some areas coming down even

By **Doug Harper**
Senior Editor

a little bit more. Sheaves and bushings might decline much the way bearings and V-belts have had to cut prices because we're even beginning to experience foreign penetration in those areas," Haveson warned.

Another expert concerned about the growth of the PT distribution business is Michael Gaffney, president of Motion Industries, Inc., headquartered in Birmingham, AL, one of the nation's largest PT distributors with 160 branches.

"For some reason or other," says Gaffney, "the Government is putting out statistics telling us that things are pretty good. And that just isn't so in the industrial marketplace where things are as flat as a pancake. I haven't seen a happy face on a vendor coming through here in six months.

"There are probably some of my friends who are in a whole lot of trouble but don't want to admit it. Because I think we're going to see a real shakeout by the end of the year and some of these guys aren't going to make it," warns Gaffney.

"The main problem that distribution has today is that there are too many manufacturers and too many distributors now that 'smokestacks' have gone away. We're all concentrating on fewer customers who are totally cognizant of the situation and are using it to their advantage," Gaffney says.

Total value of sales of U.S. antifriction bearings & components
($ Millions)

Year	Total Value	Annual % Change	Value in 1967 Dollars After Adjustment for Bearing Price Rises	Annual % Change
1958	$ 636.8	—	—	—
1963	961.0	—	—	—
1967	1,292.2	—	$1,292.2	—
1968	1,293.7	0.1%	1,274.6	−1.4%
1969	1,396.0	7.9	1,350.1	5.9
1970	1,295.3	−7.2	1,186.2	−12.1
1971	1,258.2	−2.9	1,101.8	−7.1
1972	1,418.7	12.8	1,212.6	10.1
1973	1,695.7	19.5	1,403.7	15.8
1974	1,960.7	15.6	1,395.5	−0.6
1975	2,046.3	4.4	1,246.2	−10.7
1976	2,195.2	7.3	1,243.0	−0.3
1977	2,444.5	11.4	1,277.2	2.8
1978	2,799.3	14.5	1,356.9	6.2
1979	3,260.5	17.3	1,438.9	6.0
1980	3,284.5	0.7	1,239.0	−13.9
1981	3,607.7	9.8	1,183.6	−4.5
1982	2,888.7	−19.9	871.4	−26.4
1983E	2,746.3	−4.9	826.9	−5.1
1984E	2,825.3	2.9	825.9	−0.1
1993P	4,510.3	5.1[1]	833.7	0.1[1]

E—Estimate
P—Projection
1—Average annual growth rate 1983–1993

Source: U.S. Department of Commerce, Estimates and Projections by Business Trend Analysts

The changing product mix

According to the PTDA's *1985 Marketing Report*, the largest-selling product categories in terms of dollar volume in 1984 for members of the organization were V-belts and sheaves which accounted for 14% of sales, chains and sprockets which accounted for 12% of sales and mounted friction bearings and enclosed gearing which tied for third place with 10% apiece.

V-belt and sheaves, and chains and sprockets which accounted for the first and second highest volume respectively in 1984, are in reverse order from their 1976 standings.

Other PT products which accounted for sizable sales in 1984 were:

- Unmounted anti-friction bearings: 7%
- Couplings and U-joints: 5%
- Clutches and brakes: 5%
- D-C speed adjusters: 4%
- IHP a-c motors (integral): 4%
- FHP a-c motors (fractional): 3%
- Controls: 3%
- Adjustable speed devices: 3%

Products accounting for less than 2% of sales include: a-c adjustable speed controls, flat belts and pulleys, open gearing, a-c gearmotors, and synchronous belt drives.

A bearing on the PT industry

Antifriction bearings are used in virtually every type of industrial machinery and in all transportation vehicles. With this heavy dependence on the manufacturing of durable goods, sales of bearings tend to be cyclical, following trends in the real GNP and industrial production.

The Antifriction Bearings Industry, a recent study published by Business Trend Analysts (BTA), a business research firm headquartered in Commack, NY, reports that sales of domestic bearings declined nearly 24% between 1981 and 1983 and unit shipments were down in every category.

According to the study, *in constant dollars* domestic bearings sales have fallen in 11 of the last 17 years and in each year since 1980, declining a total of 42.5% in that time.

Hal Mullison, marketing manager for Goodyear Tire and Rubber Co's. Power Transmission Products headquartered in Lincoln, NE, also paints a somewhat pessimistic picture about the future of V-belt sales.

[*continued on page 70*]

Power Transmission Review . . .

[*continued from page 66*]

"We see the V-belt market as a relatively low-growth rate market which has really been whipsawed by recent price reductions. I think that's the most significant thing that's happened from the distributors viewpoint," comments Mullison.

Another observer who views the future guardedly is John Martin, vice president-sales, with Martin Sprocket & Gear of Arlington, TX.

"I don't think we're going to have any feel for the next year until this fall," says Martin. "We've gone through such a long period with farm machinery being down and I don't think that's going to improve a whole lot in the next couple of years.

"I don't think the oil business is going to improve a a whole lot in the next year or two either, so I really do see things pretty flat—no more than 3% increase—in the next year. And as far as heavy industry business is concerned, if it's gone it's gone and I don't see it returning. It's a shame," asserts Martin.

Gary Pennell, vice president of marketing for Indianapolis-headquartered Diamond Chain Co. doesn't ever expect a return to the halcyon days of the late seventies.

'The Government puts out statistics telling us that things are pretty good. And that just isn't so.'
—Gaffney

"What I see right now is a very flat economy in roller chain. I think things have to pick up in '86. I can't imagine they'll stay at this level. It seems to be a little bit unnatural.

"I think through Government policies, the oil business will have to come back although it depends on what OPEC does. As far as agriculture is concerned, I don't think we'll ever see what we saw in 1978 or 1979," comments Pennell.

Imports: A controversial subject

The severity of the import *problem* while a subject of intense discussion, produces no clear-cut consensus among the PT fraternity.

Motion Industries' Gaffney, for example, states unequivocally that "Imports have done a very poor job of infiltrating the PT market. They have pockets of business where imports have done pretty well such as in the V-belt business about a year or so ago, but the better known distributors in the U.S. are still selling primarily American products. You might say *they're still dancing with the guy that brought them.*"

[*continued on page 72*]

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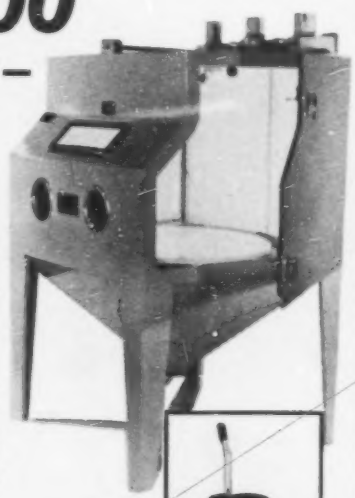

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[*continued from page 70*]

Predictably, Goodyear's Mullison takes a somewhat more serious view of the dimensions of the challenge offered by off-shore manufacturers.

"Yes, imports are an increasing V-belt problem," Mullison reports. "They now have about 10%-plus of the domestic market. Imports, however may have reached their peak in terms of market penetration," he states.

And John Martin from Martin Sprocket & Gear claims that imports, while not constituting a major threat, will not be disappearing in the face of a declining dollar.

"I think imports have been more detrimental to the chain business than to ours. Even if the dollar dropped quite a bit, I don't think it would effect the imports we see in our area because the prices are just so much lower. Even if the dollar dropped 20%, I don't think it would effect us much," says Martin.

On the subject of imports, a recent PTDA survey of 61 manufacturers asked the question: *Do you expect the percentage of foreign manufactured content to (a) increase, (b) decrease or (c) to stay the same ?* 80% answered *increase*, 14.7% answered *decrease* and 13.1% answered *remain the same*.

'Because of the low growth rate of the market we've got to go out and find new applications.' —Mullison

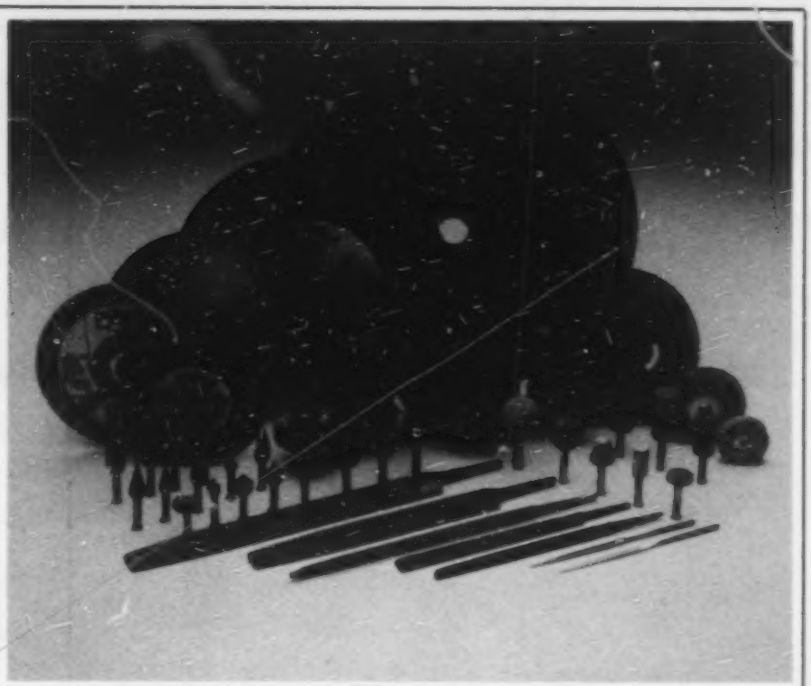
Service is the key, says Gaffney. "The customer today is interested in service and when you start talking about imports, you've also got to talk about supply lines, you've got to talk about delays, and whether you may or may not get your shipment. You can talk about JIT (Just-in-time) all you want but when it has to come over on a boat, go to a port and come to you, it's going to take awhile," he says.

"It takes a year to set up a continuously flowing pipeline. And because of the fragmentation of the PT marketplace, it's very difficult for a foreigner to zero in. I personally feel that until such a time as distribution decides to take on a foreign product, it may never be successful because you've got to have it available in 500 cities today," Gaffney emphasizes.

Pennell from Diamond Chain says that he does "see imports as a continuing problem, but I do think the decline in the value of the dollar will make some difference." he notes.

High tech: fact or fiction ?

While high tech has been touted as the salvation of American industry,



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tech revolution slow in coming, although they do see hints of its arrival.

Alan Haveson sees high tech playing a major role in the future of PT. Goodyear's Mullison adds, "In robotics we see a very viable potential for power transmission products. We see it as having excellent both short and long term growth potential."

But, Gaffney points out, "There isn't much to be had in the high tech industries. You may sell a lot of pieces but it doesn't turn out to be a lot of dollars. "We have branches in Santa Clara where we're extremely big in the high tech business. They buy small bearings, small gearings, everything is in miniature. No matter which piece of high tech machinery you look at, it doesn't take much horsepower to run it and therefore it doesn't require much in the way of horespower capacity parts."

While V-belts are hardly high tech, Mullison sees them capturing some of the applications traditionally held by chain. "We're in a very concerted effort to do it and some of our competition is in the same push," he says.

"Because of the low-growth rate of the market and the depressed prices, we've got to go out and find new applications and replacing chain is a classic case. If you get into a high torque, low speed drive, there are some new V-belt products that can handle those requirements.

Diamond Chain's Pennell, speaking from the other side of the chain/V-belt clash, acknowledges that chain manufacturers may be in for a struggle. "Unfortunately chain is a rather mature product," he says "we see not only competing with other chain people but also competing with other modes of PT such as belts and electronic controls."

1986: slow growth ahead

All power transmission experts queried by *ID* expect *real* business growth to improve no more more than 3-5% over 1985. Six-to-ten percent was the figure mentioned by 42% of the respondents to the PTDA survey of manufacturers.

On the other hand, the Rubber Manufacturers Assn. is calling for *real* growth rates more on the order of 2-2.5% for the next five years in constant dollars without allowing for any inflationary appreciation of business income.

Whatever the final figure, all seem to agree that the "Good old days" of booming business and undisputed American industrial supremacy are as extinct as the nickle cigar. From now on, say industry leaders, PT will have to work hard just to stay even, although some see the accelerating pace of technology in the U.S. as a possible challenge to offshore competition.

See page 74 for promotional aids offered by PT manufacturers.

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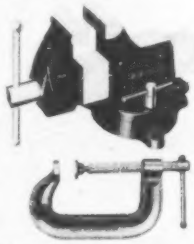

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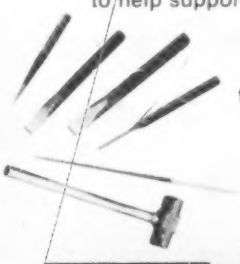

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